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Special meeting on international cooperation in tax matters

Provisional summary record of the 8th meeting
Held at Headquarters, New York, on Thursday, 15 March 2012, at 10 a.m.

President: Mr. Koterec ..... (Slovakia)

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The meeting was called to order at 10.15 a.m.

International cooperation in tax matters (E/2012/8)

1. **The President** said that the Economic and Social Council, in its resolution 2011/23, had recognized the need for the strengthening of institutional arrangements to promote international cooperation in tax matters, including on the issue of the conversion of the Committee of Experts on International Cooperation in Tax Matters into an intergovernmental subsidiary body of the Economic and Social Council.

2. The Council would hear the views of national tax authorities, in accordance with its wish for enhanced dialogue among national tax authorities, as well as the views of the International Monetary Fund (IMF), the World Bank, the Organization for Economic Cooperation and Development (OECD), the African Tax Administration Forum and the Inter-American Center of Tax Administrations. He recalled that the recent expert group meeting organized by the Financing for Development Office of the Department of Economic and Social Affairs and the Friedrich-Ebert-Stiftung New York Office had focused on transfer pricing issues for developing countries and capacity development in tax matters.

3. **Mr. Trepelkov** (Director, Financing for Development Office), introducing the report of the Secretary-General on the role and work of the Committee of Experts on International Cooperation in Tax Matters (E/2012/8), said that the report identified deficiencies and gaps in international tax cooperation; analysed the strengths and weaknesses of the Committee's working methods; explored opportunities for greater synergies between United Nations policy development and capacity-building and that of other international organizations and multilateral bodies; and made recommendations in those domains.

4. The 2011 report to the Group of Twenty (G-20) Development Working Group entitled "Supporting the Development of More Effective Tax Systems" addressed how the Group of Twenty could contribute to strengthening an enabling environment in which tax systems could be made as effective as possible in promoting sustainable development.

5. The lack of a global, all-inclusive intergovernmental norm-setting body for international tax cooperation, with full participation by developing countries, remained a fundamental gap. While the Committee of Experts focused on the needs and priorities of developing countries, its non-governmental status and limited resources meant that it did not fill that gap. The possibility of converting the Committee into an intergovernmental commission had been discussed in detail in the report of the Secretary-General on the strengthening of institutional arrangements to promote international cooperation in tax matters (E/2011/76).

6. Incomplete sharing of information and collaboration in the context of capacity development in international tax cooperation was also a gap. There was a need for harmonization of the working methods of the organizations providing technical support to ensure that assistance was provided in a coordinated way on the basis of compatible methodologies. Insufficient donor coordination could result in duplication or the provision of conflicting policy advice.

7. Insufficient provision of data to assist developing countries in setting tax policy and administering tax laws was another deficiency. That was partly the result of data-intensive international norms, for example in the area of transfer pricing, which were premised upon access to data that might be difficult for developing countries to obtain.

8. The Committee's reliance on subcommittees and working groups to carry out its work was a major strength; the expertise and willingness of subcommittee members to work pro bono was a very valuable resource. Other major strengths were the Committee's transparency and inclusiveness and its avoidance of duplication of the work of other multilateral bodies. The latter had been particularly in evidence in its 2011 update of the United Nations Model Double Taxation Convention between Developed and Developing Countries. The United Nations Model adopted the language of the OECD Model Tax Convention wherever it was consistent with the interests of developing countries and supported the development priorities of developing countries in their double taxation treaties with developed countries.

9. The inadequate resources available to the Committee, however, resulted in limited face-to-face meetings; underrepresentation of developing countries on subcommittees; insufficient participation of Committee members in subcommittees; disproportionate representation of the business sector on subcommittees; and the inability of the secretariat to service meetings,

assist with drafting, and prepare analytical papers. Non-participation in subcommittee meetings by experts from developing countries was a particular problem, since the outcomes of such meetings were less likely to represent a true consensus. Their participation should be funded from additional resources. Inadequate secretariat support placed too much responsibility on subcommittees in keeping track of their work and preparing drafts. The Committee's relationship with the Council was also weak, partly because of the timing of and venue for its sessions, and partly because its annual report was taken up with other, unrelated, reports.

10. Capacity-building was critical in enabling developing countries to take advantage of the Committee's outputs. The Committee was uniquely positioned to make a distinctive contribution to international tax cooperation. There was widespread acceptance of the Committee's role, and additional resources were urgently needed to enable it to fulfil its mandate.

11. While each country was responsible for its own tax system, the United Nations, owing to its universal membership and legitimacy, could be a catalyst for increased international cooperation in tax matters to the benefit of developed and developing countries alike. Since the great majority of States Members of the United Nations were not members of either OECD or the Group of Twenty, it fell to the United Nations to ensure the active participation of developing countries in international tax cooperation. That could best be achieved by working cooperatively with other multilateral bodies, while recognizing their distinct roles and mandates. Such improved cooperation would also require additional funding. Accordingly, the Council might wish to consider how to ensure that the need for additional resources was met, including urging Member States to contribute to the Trust Fund for International Cooperation in Tax Matters.

Keynote address

12. **Ms. Kagina** (Uganda Revenue Authority), accompanying her statement with a digital slide presentation, noted that taxation provided Governments with the funds needed for development, poverty alleviation and the delivery of public services. Most developing countries were struggling to raise the tax-to-gross domestic product (GDP) ratio to the worldwide average of 35 per cent. Accordingly, developing countries were implementing a number of strategies to increase domestic revenue, specifically through reform aimed at simpler, more equitable and transparent tax systems and a broader tax base. However, it had been argued that excessive tax exemptions had cancelled out the prospective impact of reform on tax revenue performance.

13. In many developing countries tax systems were distortionary and contributed to income distribution problems. They tended to be complex, inelastic, inefficient and unfair. In general, reform had focused on the creation of semi-autonomous revenue authorities; the introduction of value added tax; the lowering of personal and corporate income tax; simplification of income tax bands and broadening of the tax base; reduction of import and excise duties and simplification of rate structures; abolition of export taxes; automation and integration of tax administration to provide a single view of a taxpayer; segmentation of the population on the basis of the scale of tax liability; communication with taxpayers and tax education; business processes improvement; and training and capacity-building.

14. Broadening the tax base and lowering tax rates should be the foremost goals of any tax initiative in developing countries. Improved administration was a prerequisite for successful reform; coordinated tax reform offered significant advantages over isolated, piecemeal approaches. The success of any tax reform depended on the credibility of the tax regime; tax initiatives must take into account initial conditions at home and abroad. The use of the tax system for non-revenue objectives should be discouraged.

15. Tax reform should be owned by nationals, though support from foreign expertise greatly contributed to success. There must be ample preparation of policies, with training of tax officials in new systems. Developing countries with the will to undertake major reforms of their tax systems could reap significant economic benefits.

16. While significant progress had been made by many developing countries, weak capacity, corruption and the question of how to raise revenue in a way that was economically viable while being consonant with the political agenda of those in leadership remained as challenges.

17. Many developing countries lacked the capacity to analyse the implications of tax policy options; policy shifts could seriously disrupt revenue collection. Some

had tax systems that imposed an impossible burden on the private sector: multiple taxes and poor tax design meant that the tax burden on businesses was high, forcing companies to go out of business or to operate informally. The average size of the informal economy in developing countries had been estimated at approximately 32.7 per cent of GDP, and was increasing. Moreover, literacy levels in tax matters were low, a fact generally overlooked by revenue authorities.

18. Developing countries faced challenges in designing and implementing effective transfer pricing and information exchange regimes and more generally in improving transparency, issues being addressed in the debate over transparency in the reporting of financial data by multinational enterprises. Many developing countries suffered from a comparative lack of medium-sized firms, because such businesses often shouldered a disproportionate share of the tax burden, since large companies used political clout to secure tax exemptions, and much of the small business community disappeared into informality.

19. Nevertheless, there were grounds for optimism: several African and Latin American countries had made significant advances, often in the most challenging governance environments.

20. Developing countries were beginning to take a second look at the rationale for exemptions. Civil society organizations were playing an increasingly important role in holding Governments to account for the exemptions granted to companies and individuals. International and multinational agencies were encouraging Governments to cost exemptions and make the information public. Governments were thus being forced to review and reform exemptions. A number of revenue agencies were beginning to review their operational models with the purpose of repositioning themselves as service centres.

21. With regard to broadening the tax base and tackling informality, operating in the informal economy reduced access to formal credit, to markets and to government contracts. Encouraging formalization required a comprehensive strategy to reduce costs and barriers to participation in formal markets to and encourage engagement with the State. While the tax system was rarely the sole reason for businesses to operate informally, it was often a major contributing factor.

22. In terms of capacity-building, the information deficit and the skills deficit — including analysis of information — posed challenges for tax policymakers and administrators. The focus was now on building audit, research and legal expertise as well as sensitizing judicial officers.

23. Tax administrations were increasingly recognizing that the ability to look at international transactions and global businesses through a multilateral lens was far more effective than from a national perspective alone.

24. Special sectoral taxation arrangements applied to capital-intensive, risky, petroleum and mining operations. Production royalties, special income taxes, resource rent taxes and production-sharing arrangements were common and needed careful design and management to ensure that the State collected a fair share of profits generated, consistent with the investors earning an appropriate return that compensated for the exceptional costs and risks.

25. Simplifying tax laws and adopting tax procedure codes could improve both administration and compliance. While not always effective, they served to strengthen investigation and arrears collection powers, while protecting taxpayer rights.

26. Regarding trade liberalization, before removing tariffs on cross-border trade, Governments needed to ensure that alternative sources of revenue were already in place. Systematic attention must be given to replacing lost revenue.

27. Tax system design was closely linked to domestic and international investment decisions, in terms of transparency and fairness. Strengthening domestic resource mobilization was not just a question of raising revenue: it was also about designing a tax system that promoted inclusiveness, encouraged good governance, matched society's views on appropriate income and wealth inequalities and promoted social justice. Those priorities could not constitute a "one-size-fits-all" approach to tax for development but, rather, strategies that could be implemented to provide an enabling framework within which developing countries sought to raise their tax revenues in ways which promoted state-building and a fair distribution of the tax burden.

Panel presentations on the role of multilateral bodies in strengthening international cooperation in tax matters

28. **Mr. Saint-Amans** (Centre for the Tax Policy and Administration, Organization for Economic Cooperation and Development) said that it was important to find a balance between the goal of eliminating double taxation and double exemptions in order to promote investment and growth, on the one hand, and the need to ensure that necessary taxes were paid, on the other. That went beyond the issue of revenue collection to include improved governance for all countries, both developed and developing, and there appeared to be a consensus, reflected in recent meetings of G-20 leaders in Seoul and Cannes, that domestic resource mobilization for development was a priority.

29. International tax matters were only one small aspect of taxation, however, and it was important not to lose sight of the real issues, which included the growing shift towards indirect taxes, the question of tax incentives and the theme of taxes and inequalities, all of which applied to both developed and developing countries, albeit with different paradigms.

30. There should be no competition among the key players; rather, the aim should be cooperation and collaboration to maximize their shared impact, particularly in developing countries. In seeking to eliminate double taxation and double exemptions, it was critical to acknowledge and resolve differences among countries. In that regard, he recalled that OECD was not a homogeneous bloc; its membership had recently changed and now included emerging economies. Further examples of inclusiveness were the Global Forum on Transparency and Exchange of Information for Tax Purposes of OECD, its Informal Task Force on Tax and Development, and the fact that close to one third of the organization's budget was directed towards non-OECD countries. The ideal was a two-way street allowing OECD to take the views of developing countries into account in order to feed the standard-setting aspects of the organization's work.

31. Enhanced cooperation with key partners was the goal, in which connection he noted that the United Nations had been invited to join OECD as an observer. As a member of the International Tax Dialogue, OECD would also support the United Nations contribution to that group. In a calendar already crowded with more than one meeting a week on international tax matters, rather than hold separate follow-up events to large thematic meetings, such as the recent meeting in India on taxes and inequality, better use of taxpayer money might be made by channelling further discussion of major issues into meetings already scheduled. Improving efficiency by limiting the number of meetings through increased cooperation would not only constitute an excellent challenge but would also set a good example.

32. **Mr. Keen** (Fiscal Affairs Department, International Monetary Fund), accompanying his statement with a digital slide presentation, said that while revenue mobilization and higher tax-to-gross domestic product ratios were critical for development and stabilization, technical assistance should also address the need for simpler, more efficient, more transparent and fairer tax systems. Stable surface statistics often masked underlying shifts, for example from trade taxes to domestic taxes, which might indicate important structural improvements.

33. While IMF offered rapid response crisis assistance to failed States or to countries emerging from civil conflict, its larger goal was to maintain a strategic vision that looked beyond the immediate needs of developing countries to include medium-term programmes for reform, with a focus on tax policy, tax and customs administration and the legal aspects of taxation. Contrary to the prevailing view that IMF technical assistance was given as a condition of loans, such assistance was almost always demand-driven and was embedded in the Fund's broader ongoing discussions through its area department teams, which did not rely on consultants but were strategically led from headquarters and often country-based. Owing to a 40 per cent increase in technical assistance over the past year, attributable to funds mobilized through new donor-funded topical trust funds as well as through ongoing bilateral support from countries such as Japan, Switzerland and Belgium, there were currently missions to 100 countries.

34. Current challenges included a need to better integrate advice on taxation and on spending, in order to provide improved assistance packages to countries seeking to match tax reform with spending measures. Better evaluation of programmes was also needed, although it was harder to evaluate macroreforms of, for example, large taxpayer units than it was to study smaller-scale social programmes. A further difficulty in evaluation was that the Fund's technical assistance

advice was confidential, which had the advantage of making it more honest and allowing for frank discussion with country authorities, but also made it more difficult to ensure that knowledge and best practices were more widely shared.

35. Despite those challenges, the policy development work of the Fund was both a product of its technical assistance and a feedback mechanism for it, enabling it to produce a variety of publications and organize conferences and, most recently, to launch a website for public consultation that would allow the Fund to collect input as it continued to shape its views on important policy questions, for example, whether value added tax was efficient.

36. With a view to maximizing resources in the context of both the growing demand for advice as well as the increased capacity of countries to receive it, it was important to consider the comparative advantages of the key players, keeping in mind that everyone had a comparative advantage in something, and no one in everything. Even where competition made sense and where countries sensibly took advice from different perspectives, there should be strategic use of resources, with a focus on identifying both mismatches and comparative advantages.

37. However, with projects on taxation under way in so many countries, coordination was not an easy matter and required a range of interactions. Coordination on specific projects seemed to be working, but there was a need for a more strategic view of broader issues. The United Nations had a distinctive and important role to play within an increasingly large group of participants. The International Tax Dialogue had proved increasingly effective in providing a framework not just for participating organizations but for all countries. It would be useful for the United Nations to participate.

38. **Mr. Stern** (World Bank Group), accompanying his statement with a digital slide presentation, said that the World Bank had come late to addressing the needs of developing countries in taxation, but its technical assistance group had learned from the experience of others that partnering was the most effective way to get the job done and meet client needs. Another vital lesson was that the best work was evolutionary, based on an initial set of premises that was revised after listening to what a country actually needed.

39. The ultimate aim of his organization's technical assistance was to raise revenues for government, but the short- and medium-term goal was to help tax systems evolve in ways that facilitated growth. That did not mean slashing tax rates or eliminating instruments, but making instruments work better, and broadening the tax base as much as possible by promoting small and medium-sized industries.

40. The World Bank had two central work streams, one focused on core tax and the other on tax transparency, both with the goal of enhancing compliance within the larger context of development. Specific core tax projects included subnational tax licensing and fees; legal issues, including tax appeals and alternative dispute resolution mechanisms; sector-specific initiatives, such as tax incentives for agribusiness and green growth; and participating in the Group of Twenty initiatives on domestic resource mobilization. Core technical assistance also included work on risk-based audit selection, especially in countries in transition, where such help had frequently been requested. Where tax incentives were viewed as potentially compromising tax regimes, assistance was provided to help Governments to find ways to eliminate or rationalize them, or at least to make them transparent and equitable.

41. Impact assessment was critical and posed a significant challenge for the three stakeholders involved: external donors, the World Bank itself and, most importantly, clients. Developing assessment benchmarks had been an additional challenge, since many factors had to be taken into account. It was important to evaluate not only whether a broader tax base was more productive, but also whether compliance rates increased and whether the cost of compliance declined. There was a lesson to be learned from the example of a country that had slashed its compliance requirements by some 80 per cent to allow large taxpayers to report their income on one page, only to find that tax administrators then lacked sufficient data to conduct proper audits. Simplification was good, but it was important to ensure thorough monitoring and to promote good governance within a given tax system.

42. With respect to transparency, at the request of countries trying to stem illicit flows and to counter tax evasion, the World Bank had adopted the standards established by the Global Forum on Tax Transparency and Exchange of Information for Tax Purposes. A global network of regional and local teams was moving forward in all four areas of transparency: reforming tax

law, in close collaboration with the International Monetary Fund and OECD; improving detection of transfer pricing violations with a view to creating a better climate for investment; strengthening accounting standards in order to obtain critical information; and enhancing procedures for exchange of information to help countries meet requests under double tax or tax information exchange agreements.

43. Even with optimal coordination, and if all players operated in all countries all the time, it was still impossible to solve all the issues that arose. Partnership among the key players, whether through bilateral interaction among tax technical assistance programmes, through large forums or via other forms of collaboration, remained the only way to achieve results.

44. **Mr. Verdi** (Inter-American Center of Tax Administrations) said that cooperation, leading onto coordination and collaboration, was the key to success. And the key element in that progression was constant, constructive dialogue between international organizations. Success meant doing more with less, identifying and addressing needs, delivering services, and demonstrating awareness of objectives and how to attain them.

45. Those considerations were the order of the day at the Inter-American Center of Tax Administrations. The Center had agreements with several international organizations, resulting in better service with regard, inter alia, to the benchmarking of tax administrations, publication of revenue statistics, training programmes, and participation in seminars. Of particular concern was how to better cooperate with the development offices of the United Nations. For example, in cooperation with the Department of Economic and Social Affairs, the Center was conducting a study on taxpayer compliance burdens.

46. The Center sought to spend no more than 25 per cent of the budget for a programme on planning, with the balance on execution and delivery. The small size of the Center and the commensurately reduced levels of review and approval resulted in a short programme delivery time.

47. In its projects and programmes the Center sought to create synergies with other international agencies dealing with tax policy and administration and to prevent duplication and inefficient use of resources. The Center also took into account the policies of its member countries, with particular regard to transparency, efficient execution of expenditure and the powers of the tax administration.

48. Its primary focus was to promote cooperation between tax administrations to combat tax fraud, tax evasion and avoidance and facilitate voluntary compliance. Specifically, it promoted information exchange and mutual assistance between tax administrations, with a focus on the suppression of harmful international tax planning schemes, and the promotion of best practices. It collated and made available information on tax legislation and tax statistics; prepared studies and analyses; developed standards to facilitate the functions of tax administrations and implemented tools for the promotion of integrity within those administrations; contributed to the strengthening of internal control and risk management systems; promoted dialogue between tax administrations and taxpayers; and assisted member countries and regional organizations with regard to tax harmonization.

49. Building on its relationships with international and regional organizations and institutions, and its know-how and instruments for tax information exchange, the Center now sought to develop new technical assistance projects on the basis of identified requirements; identify countries and organizations willing to fund and participate in such projects; and improve coordination mechanisms between the organizations and institutions concerned.

50. **Mr. Wort** (African Tax Administration Forum) said that at a meeting in 2008 African revenue authorities had recognized the need for regional cooperation in tax matters. The subsequent establishment of the African Tax Administration Forum had facilitated the development of policies that allowed for sustainable domestic revenue generation. That meant developing capable tax administrations not only able to optimize revenue but also provide services to taxpayers. The Forum sought to promote cooperation among African countries, and to constitute a platform for cooperation with other multilateral organizations engaged in the global tax and development agenda.

51. The complexities of multilateral cooperation sometimes resulted in conflicting approaches and advice. Huge efforts were devoted to governance and ethics, and few to the basics of revenue collection and administration. Cooperation must be driven by country

priorities. Well-coordinated multilateral cooperation in tax matters was essential, and had resulted in such benefits as double taxation agreements, tax information exchange agreements, transfer pricing guidelines and dissemination of best practices.

52. In practice it was difficult to generate tax statistics and to discern tax trends. The question arose of how best to build a database of reliable country tax information from neutral sources, and to ensure that that information was shared when required. The role of academic institutions also needed to be considered.

53. There were gaps in tax research, and uneven development of tax regimes and tax administration systems in developing countries, with a great need for technical assistance and capacity development. The fact that developing countries lacked the capacity to make use of guidelines and agreements undermined the benefits of international cooperation in tax matters. In that regard the United Nations should strengthen its work in taxation.

54. The Forum was engaged in multilateral cooperation with a number of international organizations in support of tax administrations, good financial governance in tax administration, and domestic resource mobilization. In cooperation with OECD it organized training workshops and exposed member tax administrations to global best practice.

55. Cooperation in tax matters was important if tax administrations were to collect tax and make policy in areas where the major profit and income drivers constantly moved on. That cooperation must involve providing support for weaker countries in a balanced and coordinated manner.

General discussion

56. **Ms. Bethel** (Bahamas), speaking on behalf of the Caribbean Community (CARICOM), said that, despite the commitment made in the Monterrey Consensus for the development of a more democratic, inclusive and participatory approach to international decision-making and norm-setting, progress had been regrettably slow in the area of international cooperation in tax matters. International tax cooperation was, however, a central aspect of the modern global economy and an important priority for the member States of CARICOM. She reaffirmed the primary role of the United Nations in addressing matters related to international tax cooperation, in view of its universality and legitimacy.

57. Notwithstanding the efforts to promote international tax transparency and exchange of information for tax purposes, it was clear that important gaps remained unaddressed, as acknowledged by the Secretary-General. CARICOM was concerned that existing norm-setting arrangements for international tax cooperation did not provide for the participation of all developing countries. Action in that area had far-reaching consequences for developing countries, and must be taken with the full participation of those countries as a right, not as a privilege, in particular in the rule-making processes that affected their economic interests. Thus a need persisted for the establishment of a truly global, all-inclusive, United Nations-centred, norm-setting body for international tax cooperation at the intergovernmental level, which would offer developing countries a full seat at the table.

58. CARICOM recognized the useful work of the Committee of Experts on International Cooperation in Tax Matters in supporting national efforts towards efficient tax administration and policies through the enhancement of multilateral cooperation. The Committee had developed important tools and guides relating to how countries could work together on tax issues. The Committee's work included authoring the 2011 update of the Model Double Taxation Convention between Developed and Developing Countries. The Caribbean Community welcomed the objective of reflecting developments in international tax policies in the last decade, and the efforts of the Committee to assist developing countries in the negotiation of bilateral double-taxation treaties in consonance with their policy priorities.

59. The work of the Committee of Experts should be directly linked to an intergovernmental process. CARICOM fully supported conversion of the Committee into an intergovernmental subsidiary body of the Economic and Social Council, as that would address many of the deficiencies existing in respect of international tax cooperation. It would ensure that the United Nations was equipped to fulfil its role in international tax cooperation and would represent a significant contribution by the Economic and Social Council to the enhancement of domestic resource mobilization for development. It would also allow

Member States to address the Committee's inadequate budgetary resources.

60. The proposed conversion of the Committee of Experts must not detract from its expert status, rightly seen as one of its strengths. It might function in a manner similar to that of the United Nations Statistical Commission.

61. There was an urgent need for greater international cooperation in tax matters for the benefit of all countries in their pursuit of sustainable development. Least developed countries must have their perspective reflected in a broader intergovernmental discussion of tax matters than currently took place.

62. **Mr. Neale** (Observer for the European Union), speaking also on behalf of the acceding country Croatia, said that domestic revenue mobilization was a growing priority for developing countries, with the increased focus in development policy on institution-building, accountability, development financing and policy ownership, and reduced reliance on development assistance. In a globalized economy, the international aspects of taxation were particularly important for revenue-raising and as a means of tackling artificial tax avoidance and evasion and corruption.

63. There was a need to strengthen international cooperation in tax matters, in compliance with the three key principles of good governance: transparency, exchange of information and fair tax competition.

64. The role of the United Nations system in that regard could not be overemphasized, as exemplified by the 2011 update of the Model Double Taxation Convention, which would provide valuable assistance for developing countries in tax treaty negotiations, and the current preparation of a transfer pricing manual for developing countries. Closer cooperation between OECD, the United Nations and regional organizations was fundamental when preparing international standards for tax cooperation in order to ensure that the needs and capacities of all countries, developing and developed, were taken into account.

65. The universality of the United Nations enabled it, through the Committee of Experts, to make a practical contribution to international tax cooperation. The current format of the Committee should be retained, and funding should be deployed through existing mechanisms, including the Trust Fund for International Cooperation in Tax Matters.

66. It was also important to strengthen donor coordination, as exemplified by the tripartite initiative between OECD, the World Bank and the European Commission in support of common objectives. The European Union would welcome participation by the Financing for Development Office in that initiative.

67. The United Nations might also play a significant role in encouraging disclosure of payments to Governments by extractive industry companies. In that regard the European Union supported the Extractive Industries Transparency Initiative. Nevertheless, the European Union was preparing disclosure requirements in respect of payments to Governments in the natural resources sector. Such standards should be applied by all countries so as to ensure a level playing field.

68. **Ms. Kage** (Germany) acknowledged the work of the Committee of Experts, and recognized that it was underresourced. Her delegation would continue to support the Committee and the International Tax Compact.

69. **Mr. Comolet-Tirman** (France) said that his delegation welcomed closer involvement by the United Nations in cooperation on tax matters between international organizations. He noted the Group of Twenty initiative for the formulation of recommendations on the mobilization of domestic resources and efforts to strengthen tax regimes and combat the erosion of tax revenue in developing countries, and, in particular, the inclusive role of the OECD Global Forum on Transparency, which helped States to strengthen their tax systems and counter erosion of their tax bases. The Global Forum offered an excellent example of how to conduct global governance in terms of participation by stakeholders and assistance to participants.

70. Three factors were critical: the availability of information; the ability of local revenue authorities to access information; and the ability of those authorities to exchange information with their partners. The presence of those factors would facilitate the combating of tax evasion and improve the effectiveness of tax systems.

71. **Mr. Rahman** (Bangladesh) said that the increased presence of transnational corporations, along with the growth of regional and international

commerce, had led to an increase in foreign investment in developing countries, especially the least developed countries. However, owing to different tax and regulatory systems, the growth in global trade had also created more opportunities for trade mispricing, tax avoidance, tax evasion and capital flight. That posed a new challenge for developing countries such as Bangladesh, which had begun to focus on such issues and had recently signed several treaties on double taxation. His delegation looked to international organizations to implement appropriate mechanisms and called on the Committee of Experts to safeguard the interests of developing countries.

72. **Mr. Wang** Qun (China) said that to address the challenges globalization posed for tax management there needed to be increased cooperation on tax matters within the framework of the United Nations. In that regard, China supported the work of the Committee of Experts.

73. To improve its efficiency and effectiveness, the Committee should be upgraded to an intergovernmental subsidiary body of the Economic and Social Council. Since voluntary fundraising efforts could not guarantee stable funding, the United Nations should increase its funding for the Committee. Further, to ensure the leading role of the Committee in international tax matters, the Committee should follow the practice of the Committee on Fiscal Affairs of OECD and recruit experts to conduct specific studies on the issues before it.

74. **Mr. Asakawa** (Japan), speaking in his capacity as Chair of the Committee on Fiscal Affairs of OECD, said that international cooperation in tax matters had always been critical in preventing the duplication of efforts and harmful competition. That consideration had become even more important under current budgetary constraints. He confirmed that OECD had invited the United Nations to become an observer in the Committee on Fiscal Affairs, and hoped that the United Nations would accept as soon as possible, furthering cooperation between the two bodies. The United Nations was already a member of OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

75. Tax was not simply a technical issue but a key building block in the development process itself, mobilizing resources and strengthening governance. The United Nations Committee of Experts was in a unique position to reflect the interests, perspectives and needs of developing countries, especially the least developed countries. Tax issues relating to development would greatly benefit from United Nations input, which could assist in creating a coherent international tax framework tailored to the needs of countries at different stages of development.

76. Tax policy was also about tax administration and the ability to properly implement international and domestic tax rules. Through the Global Relations Programme of OECD and other vehicles for multilateral sharing, including South-South dialogue in partnership with regional tax organizations, the Committee on Fiscal Affairs hoped to work with the United Nations to explore best approaches to problems in international tax matters.

77. The implementation of international standards continued to pose problems for both developed and developing countries. It was important for new tools, such as the practical manual on implementation currently being developed by the Committee on Fiscal Affairs, not to set an alternative international standard; that Committee was working to support implementation through a new focus on simplification of administrative procedures that reflected global experience.

78. International cooperation could be further enhanced if the United Nations joined the International Tax Dialogue, which could help to achieve more effective collaboration among key international organizations working on tax matters.

79. **Mr. dos Santos** (Brazil) said that international cooperation on tax matters was of the utmost importance in the context of financing for development, especially with regard to the mobilization of domestic resources. In response to the Secretary-General's report on strengthening of the institutional arrangements to promote international cooperation in tax matters (E/2011/76), Brazil reiterated its support for converting the Committee of Experts on International Cooperation in Tax Matters into an intergovernmental body, as that would strengthen the contribution of the United Nations to international cooperation in that domain. Because of its inclusiveness and universality, the United Nations was uniquely placed to bring the perspective of developing countries to the table and to ensure that the treatment of international tax issues allowed developing

countries to make full use of the relevant instruments for their economic progress.

80. **Mr. Marks** (United States of America) acknowledged the array of efforts already under way, as well as the level of cooperation and technical competence of key players such as the International Monetary Fund, the World Bank, the African Tax Administration Forum, the Inter-American Center of Tax Administrations, the Global Forum on Transparency and Exchange of Information for Tax Purposes, the Organization for Economic Cooperation and Development and the United Nations Committee of Experts on International Cooperation in Tax Matters, as well as the development agencies of many countries. However, the United States did not support broadening the scope of the Committee of Experts, as that could risk duplication, thereby making international efforts less efficient. Rather, it was important to build on the current one-day meeting by taking pragmatic steps to make the Committee more efficient and to improve dialogue on tax matters and tax cooperation, thus expanding the role of the United Nations without creating a new intergovernmental body.

81. **Mr. Effingham** (United Kingdom) said that the Committee of Experts clearly had an important role to play in advancing cooperation and coordination on international tax issues. There should be greater stress on involving developing and emerging countries in existing mechanisms. The experience of the Group of Twenty London Summit in 2009 showed that existing mechanisms allowed genuine progress. The Global Forum on Tax Transparency, for example, had become more active as more countries had signed on to the international standard on transparency and as the Forum had become genuinely global rather than a mere offshoot of OECD. The United Kingdom likewise welcomed the OECD/Council of Europe Convention on Mutual Administrative Assistance in Tax Matters, endorsed at the Group of Twenty Cannes Summit in 2011, in that it addressed the concerns of developing countries about their capacity constraints when entering into bilateral agreements on information exchange. Progress could be made through existing channels.

82. **Ms. Luna** (Mexico) said that her delegation supported the establishment of a new commission on tax matters in order to further the work of the Committee of Experts. Mexico was nonetheless ready to consider alternative approaches, including the strengthening of the existing Committee.

The meeting rose at 12.40 p.m.